

## Message Text

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ACTION EB-08

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FM AMCONSUL SAO PAULO

TO AMEMBASSY BRASILIA

INFO SECSTATE WASHDC 8762

AMCONSUL RIO DE JANEIRO

UNCLAS SAO PAULO 2443

E.O. 11652: N/A

TAGS: ECON, BR

SUBJECT: BRAZILIAN MOTOR VEHICLE PRODUCTION OF ONE MILLION FORE-  
CASTED FOR 1978.

1. SUMMARY: FORD MOTOR COMPANY EXECUTIVE PREDICTS THAT BRAZILIAN  
AUTOMOTIVE PRODUCTION (PASSENGER CARS, TRUCKS, AND BUSES) WILL  
REACH ONE MILLION UNITS IN 1978. PRODUCTION STATISTICS, DEALER  
SALES REPORTS AND COMMENTS FROM OTHER INDUSTRIALISTS SUBSTANTIATE  
THE FORECAST. END SUMMARY

2. JOSEPH O'NEILL, PRESIDENT OF THE FORD MOTOR COMPANY'S BRAZILIAN  
SUBSIDIARY, PREDICTS THAT BRAZIL WILL PRODUCE ONE MILLION MOTOR  
VEHICLES THIS YEAR, REPRESENTING AN INCREASE OF NINE PERCENT COMPA-  
RED TO 1977. IN A FOLHA DE SAO PAULO ARTICLE OF AUGUST 16, WHICH  
QUOTED THE FORD EXECUTIVE, IT WAS POINTED OUT THAT THIS INCREASE  
WAS WELL ABOVE PREVIOUS GOB FORECASTS. O'NEILL NOTED THAT THE GOB  
ESTIMATED ONLY A 5 PERCENT GROWTH IN DEMAND FOR PASSENGER CARS WHICH  
HE SAUD, HAD BEEN UNDER GOVERNMENT RESTRAINT FOR TWO AND A HALF  
YEARS.

3. FROM 930 TO 940 THOUSAND VEHICLES (93 TO 94 PERCENT OF TOTAL  
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PRODUCTION) WILL BE SOLD IN THE DOMESTIC MARKET WHILE THE REMAIN-  
DER WILL BE EXPORTED. EXPORTS NOW REPRESENT 15 PERCENT OF THE IN-  
DUSTRY'S TOTAL SALES RECEIPTS. O'NEILL NOTED THAT WHILE PASSENGER  
AUTOMOBILE SALE HAVE INCREASED SUBSTANTIALY THIS YEAR, SALES OF HEA-  
VY TRUCKS HAS FALLEN FROM 14 TO 17 PERCENT.

4. THE ARTICLE COMMENTS THAT IF O'NEILL FORECAST IS CONFIRMED, THIS

WILL BE THE FIRST YEAR THAT THE AUTOMOTIVE INDUSTRY WILL HAVE  
REALIZED THE GOAL TO PRODUCE ANNUALLY ONE MILLION MOTOR VEHICLES  
THAT IT HAS PURSUED SINCE 1976. IN THAT YEAR, IT IS NOTED, THE  
INDUSTRY NARROWLY MISSED ITS GOAL WHEN SOME OVERCONFIDENT MANUFAC-  
TURERS. DECLARED COLLECTIVE HOLIDAYS ON DECMBER 15, 1976. THE INDUS-  
TRY, IT IS SAID, COULD HAVE EASILY PRODUCED THE LESS THAN 15,000  
VEHICLES NEEDED TO HAVE BOOSTED THE 1976 PRODUCTION FIGURES FROM THE  
985,469 NOW REGISTERED TO THE ONE MILLION MARK. IN THE FOLLOWING  
YEAR, BECAUSE OF THE ECONOMIC SLOWDOWN, THE INDUSTRY SUFFERED A 9  
PERCENT RETRACTION, PRODUCING STATISTICS, REPORTS FROM DEALERS AND  
OBSERVATIONS MADE TO CONGEN OFFICERS BY OTHER ASSOCIATED WITH THE  
INDUSTRY SUPPORT THE FORECAST FOR ONE MILLION. FOR THE FIRST SEVEN  
MONTHS OF THIS YEAR ESTIMATED PRODUCTION STANDS AT 600,843 OR 1.2 AND  
15.8 PERCENT HIGHER THAN THE FIRST SEVEN MONTHS FIGURES FOR 1976  
AND 1977 RESPECTIVELY. BREAKDOWN OF 1978 PRODUCTION FIGURES AND COM-  
PARATIVE GROWTH RATES WITH 1977 FOLLOWS: PASSENGER AUTOMOBILES,  
309,286, UP 17.2 PERCENT; UTILITY VEHICLES, PICKUPS, ETC., 233-969,  
UP 20 PERCENT; TRUCKS, 49,958, DOWN 16.2 PERCENT; AND, BUSSES 8,243  
UP 3.8 PERCENT. WEEKLY REPORTS FROM SAO PAULO CAR DEALERS FOR THIS Y  
YEAR THROUGH MIDE-AUGUST SHOW ALMOST UNIFORMLY GOOD TO EXCELLENT  
SALES PERFORMANCE, AND EXPECTATIONS THAT THE UPWARD SALES TREND WILL  
CONTINUE. AN ECONOMIST FROM GENERAL MOTOR'S BRAZILIAN SUBSIDIARY WAS  
NOT SO OPTIMISTIC AS O'NEILL - HE PREDICTED A FALL IN SALES AND  
PRODUCTION DURING THE SECOND HALF - BUT STILL PREDICTED THAT PRO-  
DUCTION WILL CLOSELY APPROACH ONE MILLION THIS YEAR AND MOST CERTAIN-  
LY WOULD PASS THE THE MARK NEXT YEAR. ON THE OTHER HAND, THE  
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PRESIDENT OF A U.S. TIRE MANUFACTURER'S BRAZILIAN SUBSIDIARY SAW NO  
REASON WHY THE AUTOMOTIVE INDUSTRY SHOULD NOT REACH ITS ONE MILLION  
GOAL.  
POVENMIRE

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